

84-1452

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Alternative Pay Schedule - Banding Grades into Pay Levels

FROM:

C/PMCD/OP

EXTENSION

NO.

DATE

2 APR 1984

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

A1/DD/PA&amp;E

2 APR 1984

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C/PMCD

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JY

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DC/PMCD

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CIDA

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14.

Tom S.

4/17

de

C/C&amp;CP

- 2 depts - 1 you  
pls. 1 me

15.

Attached is our recommendation for development of a formal grade banding plan for Telecommunications Officers in the Office of Communications. The plan would be patterned after the successful program conducted by Navy at its China Lake and San Diego laboratories. At your convenience, we are available to brief you further on these programs.

Seems to be a viable alternative worth testing. Certainly more managerial control.

Broader than we initially discussed but better. I believe.

~~SECRET~~

2 APR 1984

MEMORANDUM FOR: Director of Personnel

THROUGH: Deputy Director for Policy, Analysis  
and EvaluationFROM:   
Chief, Position Management and Compensation  
Division, Office of PersonnelSUBJECT: Alternative Pay Schedule - Banding Grades into  
Pay Levels

1. Action Requested: Paragraph 3 of this memorandum contains a  
recommendation for your approval.

2. Background: In 1982, Towers, Perrin, Forster and Crosby (TPF&C) conducted a study of Agency pay policies and practices and found that the GS pay scale did not adequately satisfy the four considerations essential to an effective compensation program: recruitment, retention, motivation, and ease of comprehension and administration. One of its suggested alternatives to current practice was grade "banding" in which several GS grades are combined to broaden the pay range and simplify position classification. Although the Agency did not act on this recommendation, the Navy has been experimenting with such a banded pay system at its China Lake and San Diego facilities for the past five years under a provision of the Civil Service Reform Act of 1978 which authorized experiments with alternative pay systems in the Federal government. This experiment has proven successful for the Navy, and the Congress has authorized recently a five-year extension of the current program.

"Grade Banding," as practiced in the Navy programs, involves grouping the General Schedule grades GS-05 through GS-18 into five separate pay ranges representing entry level (GS-05 through GS-08), journeyman level (GS-09 through GS-11), senior level (GS-12 and GS-13), management level (GS-14 and GS-15), and a senior non-supervisory level (GS-16 through GS-18) which parallels our Senior Analyst and Senior Scientist programs. SIS management positions are not covered by banding. Each level has a pay range of 50% or more, i.e., the range between GS-12/1 and GS-12/10 is approximately 30%, while with banding the range at the senior level (GS-12/1 and GS-13/10) is over 50%. Movement within the range and between pay levels is pegged to performance. Under this banding system, average performers can expect to move to the midpoint of the pay range for their level at a rate equal to or slightly faster than under GS procedures. To move beyond the midpoint, performance must exceed the norm for the grade, while movement between levels (promotion) is determined by competitive evaluation.

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SUBJECT: Alternative Pay Schedule - Banding Grades into Pay Levels

25X1 This type of pay system is attractive for the Agency for several reasons. First, our performance evaluation system would fit nicely into a performance-based system without significant restructuring. Second, the reduced number of grade distinctions simplifies classification determinations and provides management with a more manageable, flexible, responsive, and understandable classification system. Third, the broader range between grades would minimize current concerns over relative worth of different occupations (e.g., Telecommunications Officers vis-a-vis SIGINT Officers). Fourth, managers would have a greater role in the pay administration process and would become accountable for the management of their personnel resources through the budget process. [ ]

25X1 However, before the Agency could establish a full-scale grade banding pay system, a test of its utility would be required. To be useful, such an experiment would require three phases. First, a planning effort would work out the implementation and administrative procedures with the affected managers, Payroll and the Comptroller. Secondly, in a training and implementation phase, managers and employees would be taught to establish and operate the pay system. Finally, an evaluation phase would be conducted to review acceptance of the program by managers and employees and to evaluate the program's usefulness. [ ]

25X1 Because of its size, homogeneity, and visibility, the Office of Communications Telecommunications Officer occupation would be an excellent choice for an initial pilot program. This occupation includes approximately [ ] positions distributed from entry level through senior management levels, allowing establishment of bands throughout the entire career range. The quasi-banded position and personnel management program established after the recent occupational survey makes an extension to the China Lake-type system a logical step. Furthermore, a banded pay system accommodates OC's need for management flexibility without direct impact on the Agency General Schedule average grade by establishing a non-GS pay schedule managed under budgetary constraints. [ ]

25X1 Although current PMCD resources are insufficient to conduct more than one experiment initially, the Office of Data Processing (ODP) would be a candidate for later extension of this program. The data processing occupations located in ODP include computer operations through systems analysis. The career path progresses from the lower grades through the senior level of the General Schedule, which would offer the opportunity to develop a minimum of four classification levels. Once the OC program is in place, a plan for extension of the program to ODP could be developed. [ ]

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Pay Levels

25X1 As a long-term objective, the most attractive occupational group for grade banding is that of the Operations Officer within the Directorate of Operations, where we have a large homogeneous occupational group, and assignments are made more on qualifications than on specific grade considerations. However, we believe that this occupational group should be considered as a potential experiment only after sufficient evaluation data is available from the pilot program.

25X1 We would like to begin work as soon as possible on the development of a formal proposal for grade banding in OC. To do this, we must work with OC to understand its current evaluation system, trends in assignment of rating levels, promotion frequencies, and use patterns of QSI's and PSI's to formulate an administrative framework for its system. Payroll must be involved to determine the administrative changes necessary for the payroll system to accommodate grade banding. The Comptroller must be consulted to determine the impact on the budget and the strategy for presentation of the experiment to OMB to obtain the average grade adjustment which will be required to withdraw the OC positions from the General Schedule.

25X1 In preliminary contacts with the Office of Finance and the Comptroller, we have been advised that the payroll system can handle a banded system without major modifications and that OMB would probably pose no objections to a one-time adjustment to the average grade to accommodate the experiment. However, further development of this proposal cannot proceed without your approval.

25X1 3. Recommendation. Accordingly, it is recommended that you authorize PMCD to work with OC, OF, and the Comptroller to develop a formal "Grade Banding" plan for experimental implementation in the Office of Communications. Upon completion of its development the plan will be presented to senior Agency management for approval.

25X1 APPROVED:

Director of Personnel

*April 11, 1984*  
Date

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